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Remarks by GEORGE N. PEEK, Administrator, A.A.A.,  
before the American Farm Bureau Federation,  
Chicago, 10:15 a.m., Dec. 12, 1933.



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I'm back home here again, in my own State, among my old friends, to talk over a few things--some new and some old. Since I took the job as Administrator of the Agricultural Adjustment Act last spring this is the first time I've left my desk to do any talking except over the radio. I came out here to find out how you feel about certair things, to let you know how I feel about them, and to tell you about some o. our activities. To me agriculture is the most important industry in the country. It is the bed-rock upon which national prosperity rests. It must be made more profitable for the farmer. Later on I will discuss the profit motive more fully, but right now I want to say to you that if our profit system is to remain, I believe individual effort must be encouraged and rewarded, just as I believe that the profit system must be controlled and that it can be maintained only with honesty and decency. I further believe that under any system of government individual effort must be encouraged and the property rights of the individual protected.

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Seven months ago yesterday the Farm Act was signed by President Roosevelt, and the Agricultural Adjustment Administration was organized. We haven't been able to do all that we had hoped to in that time, but we have done quite a bit. I shall begin by giving you an account of what we have accomplished to date, and why; and then go on from there.

You can't hurry the sun. And you can't hold it back. In the long, slow swing of the seasons which governs agricultural operations, seven months is no time at all. Much corn that was being planted when the President signed the Farm Act is not yet in the crib. We had to wait for another season before we could properly get at the critical economic ache here in our Middle West. And, in the circumstances prevailing, that has seemed, as you know, and as some of you have not hesitated to say, a long time to wait.

The Administration is getting into action now out here in the agricultural heart of the country. I believe that the Middle West will be feeling better soon, and that its improved condition will be reflected throughout the Nation. But I don't want to be interpreted as saying that the doctor is here at last with his little black bag, and that everything is going to be all right from now on.

The situation that was dumped into the laps of the present Administration on March 4 of 1933 was at least <sup>four</sup> 12 years in the making. Our present farm situation is still a long way from satisfactory, but if you compare it with the way things were at the end of last winter, it makes the spot where we are now seem almost comfortable. We have hope now, and reason for hope. And conditions a year ago, whether you looked at the thing as a farmer or as a city man, promised absolute ruin.

For nine years, from 1920 until late in 1929, our open country was drained of money and of its best blood-stock by an unmerciful and uneven deflation.



For three years on top of that, from 1929 on through 1932, the open country was racked by price disparities which widened as the depression deepened and spread.

For nine years general business in this country was a soaring, pumped-up super-structure, which seemed not to touch agriculture, the foundation, at any point.

Many people used the apparent industrial prosperity as a sign reading, "Farm buying power no longer necessary for national prosperity." The neglected foundation sagged. The entire structure of false, unshared prosperity toppled. And it was agriculture, the foundation, which took the hardest punishment. Farming as a business was all but shattered in the depression that followed the general crash of 1929.

In 1928 the prices paid to farmers averaged around 50 percent above pre-war. By early 1933 they had dropped 50 percent below pre-war. The prices that farmers <sup>bought</sup> had to pay for things they <sup>had</sup> was, in 1933, down to the pre-war level, but not below it. Thus, early in the year 1933, farmers had only about half of their pre-war unit purchasing power. Gross farm income from crops produced in 1932 was only half the 1929 income. Interest and taxes had to be paid at the old levels.

Capital value in agriculture stood at 79 billion dollars in 1919. By the beginning of 1929 it had shrunk to 58 billion dollars. By the beginning of 1933 another 20 billion dollars in farm capital values had been drained away; the total stood at only 38 billion dollars. From a 79 billion dollar valuation down to a 38 billion dollar valuation, in 12 years! The fields and farm homes of this Nation were bled white.

It may be asked how a business so brutally deflated managed in those same years to maintain that great flood of overproduction which by 1933 had raised the cotton carry-over in this country to two and a half times its normal height, and piled up a wheat carry-over three times normal. Curiously enough, the disparity between city and farm prices which we have been trying to offset is a situation



that brews its own poison, leading to still wider price maladjustments, if left alone. As the President has said, we were a Nation half busted and half booming. The busted half, paying boom prices for interest, for taxes, and for all things purchased from town, had to grow more and more stuff for less and less money. It takes twice as much 40-cent wheat as 80-cent wheat to meet a tax bill. It takes twice as much 5-cent cotton as 10-cent cotton. It takes twice as many 3-cent hogs as 6-cent hogs. And so on, to the bitter end.

In consequence, last spring we found ourselves, as a Nation, with some 40 million acres more in crops than were cropped before the War; and this was in a changed world which for the present at least had shut down on the importation of our products, as we had on theirs.

Disorganized overproduction was only part of the trouble. Lack of foreign markets was only part. Distribution tolls were too high. With agriculture prostrate at the end of 1932, and with the cities sharing at last in the depression, many distribution margins were still just as wide as they had been in 1929. In the last three years of the Old Deal, from 1929 through 1932, city incomes fell one-third; farm prices already perilously low, fell two-thirds; and the distribution spreads stayed wide. There was still good money in farm crops, if you didn't happen to be growing them. Of the 15 leading corporations in point of earnings in 1932, nine dealt in food and tobacco.

The first job of the New Deal is an orderly transfusion of income; a redistribution of buying power; not so much a sprinkling of money in dribbles from the top down; but a growth of spending from the grass-roots up. We have been putting money into overall pockets on the farm and in the factory. We already have evidence that when this is done, the money moves, restoring broken circuits of business everywhere. And we are not giving that money away, either; we are getting something for it, something that ought to prove a force for permanent stability and



progress. We are getting a thoroughgoing reorganization of both production and distribution, through which to avoid, in the future, the immense social losses of ungoverned, cut-throat competition.

The Farm Act makes such a groundwork reorganization of agriculture possible. It makes <sup>possible</sup> an adjustment of farm production to going demand, at home and abroad. This and other new legislation make possible an effort toward adjusting distribution methods and costs; and provide for an adjustment of debts, with an adjusted dollar, if need be.

You can't change farm routine around the way you can in a factory. Changes take time. I sometimes hesitate to call what we have done toward correcting our national farm production schedules, a "program." As often as not we were in the middle of the thing before we had much time to choose and deliberate; we were pushed on from behind. The situation was desperate. The pressure of a driving necessity was behind us. Many of our former opponents to farm legislation were in the front line in this push from behind. And all the time crops came along, ripening, in their own good time, as always, regardless of our wishes.

Cotton was ripening in the southern part of the Cotton Belt when we still were setting up our organization last May. We had to go into action fast. We organized the cotton growers into county production control associations, plowed under  $10\frac{1}{2}$  million acres of cotton, a quarter of the entire crop, and seeded \$110,-000,000 of new cash spending power in the cotton South. The weather fought against us, it fought for a surplus; but we prevented another year of 5-cent cotton that otherwise would have been a certainty.

To protect farmers against forced marketing, we are lending 10 cents a pound on Middling or better cotton now. And there is one interesting thing about this lending program of the Commodity Credit Corporation that I would like to mention. As soon as the Government made its lending intentions known, the banks down South came to life, and made like loans, privately. Only about one-third of the money so far loaned on cotton has come from the United States Treasury; the other two-thirds was loaned by banks, privately. That just goes to show that when there is assurance of the farmer getting a reasonable amount for his crop, the private business structure of the community begins to get some confidence and to function again, naturally and healthfully. I observe the same tendency beginning to operate out here as a result of our program of 45-cent loans on corn.



The 1934 cotton program calls for doing the job of reduction by taking the cotton out before it is planted. We are going to reduce the national cotton acreage from 40 million to 25 million acres in 1934, and make compensating adjustment payments to cotton growers that probably will total 125 million dollars.

To adjust the national wheat acreage to the diminished overseas demands was an even bigger undertaking, but we had more time. With world accord, we have signed up about four-fifths of the entire American acreage for a three-year adjustment downward, with a 15 percent reduction of acreage this year. The first of \$100,000,000 adjustment money has gone out to the farmers. Wherever that money has reached, distress and tension have been relieved and hopes have been renewed.

As an auxilliary device in clearing up the wheat surplus situation we arranged to export to the Orient Pacific Northwest wheat/otherwise would have been forced East to burden the domestic markets heavily. In this way we were able to ship some of our surplus wheat off the top of the pile, at the same time that we were cutting in under the pile by production control.

We have used, and shall use, every practical device for reducing this and other surpluses. Efforts have recently been launched, for instance, to get the distillers back as a market for American grain.

It seems that since prohibition, processes have been developed for manufacturing alcohol from blackstrap molasses, and from a synthetic process in the cracking of gas. Whether or not we favored repeal, repeal is here; and we think the grain-growing farmer should have the benefit of that market which he had in the pre-Prohibition days.

The activities of the Surplus Relief Corporation in moving surpluses that otherwise would be worse than wasted, directly to the hungry and needy within our own borders, are developing into a very valuable form of surplus-removal; and one which no one, I am sure, will disapprove. That use of surpluses is to me,



personally, one of the most heart-warming things that has happened since our work started. The Agricultural Adjustment Administration does not have direct responsibility for this activity. It is under the direction of Mr. Harry Hopkins; but we are certainly behind it 100 percent.

Similarly, the Agricultural Adjustment Administration cannot claim credit for the recognition of Russia but the reopening of that market for our products should absorb some of our surpluses. The whole question of further foreign trade will reward, I believe, a very careful looking-into. There has been set up an inter-department Trade Commission to study the entire question of possible exports and imports; and on this commission agriculture is represented.

When it comes to codes and marketing agreements, we have some outstanding successes, and a number of considerable steps in progress to report. I consider the flue-cured tobacco agreement especially outstanding. By agreement with the big companies we have assured farmers a price 40 percent above the price prevailing when Governors were closing markets last summer. Further agreements, some of them coupled with a production control attack, are now in the works for fire-cured, air-cured, and Burley tobacco growers.

As to milk agreements, our progress has been less uniform. We have made, on the whole, slow progress, often against the meanest sort of opposition from within the industry and from without. But within the past month or so we have closed a number of milk agreements, and have moved toward others, some of which definitely tend to close the spread and get the farmer more money without costing the consumer another cent.

Our temporary stabilization action as to butter supported the market at a time when the need to do so was desperate. And for butter, as for wheat, we have managed to pry open a foreign outlet for a little of the surplus, at least. We have disposed of some butter to the War Department for use in the Philippines. This was done in competition with foreign countries.



It would take too long to sketch for you the agreements as to rice, cling peaches, and a great number of other special crops, which are already at work, adding definitely to the income of farmers. I am trying to keep this picture of our work to date clear-cut and free from confusing detail.

The corn and hog problem is the biggest one in the whole farm picture, and the program we are now putting into action is the biggest we have undertaken so far. Because of the intricate inter-relations between corn and hogs, the thing is very complex and difficult to settle. It is going to take a lot of hard work, and some painfully hard thinking, to put this \$350,000,000 program over, and to make it stick for permanent good effect. It will mean a drastic cut in production, for the time being, anyway; and that is something nobody likes. But I have no doubt at all that the thinking farmers of the Corn Belt, (and those, I should say, would mean pretty nearly all surviving farmers here) will go through with this corn-hog program, triumphantly.

We have no panaceas or cure-alls to offer. To reduce corn acreage a fifth, and farrowing a fourth, is a difficult and trying job. But we have some concrete evidence that it is a sort of procedure which has worked wonders in the other parts of the country where it was first tried. And hundreds of millions of dollars seeded in directly at the grass roots in cash adjustment payments, make the treatment rather easy to take. With the corn-hog production control program I think should go a marketing agreement with packers.

I have <sup>here</sup> a series of reports collected by Editor & Publisher from newspaper editors in the cotton and wheat country, where production control operations have been under way long enough to make themselves felt. From Fort Worth: "Business upturn in this section has been quite marked." From Oklahoma City: "Farm pur-



chasing power has been restored. Bank deposits are up \$15,000,000. Conditions are exceedingly good. Heads are up in Oklahoma." I could quote others, of the same nature. That these gains are not merely local and temporary is indicated by a Dun & Bradstreet report for the last week in November. I haven't time to read the whole report, so I shall just read you the headline that the Merchant's Journal, published at Topeka, Kansas, put over it: "MONEY IS NOW GETTING INTO MERCHANTS' HANDS. Dun & Bradstreet say Christmas Trade will be the Best in Years. Farmers Have Something to Spend." The story estimates that apart from adjustment payments for wheat which are beginning to pour into that part of the country, Government pay checks for relief work will amount to a half a million dollars a week in Kansas alone.

But the account which brings the real meaning of the thing closest home, to me, at least, is one that was written by an Iowa correspondent for the New York Times. I want to read you a part of it, anyway:

"The first Agricultural Adjustment Administration wheat adjustment checks were paid out today in Monona County, Iowa. There is more ready cash in this county than there has been for years....

"Irving Rife brought his 7-year old boy when he came for his check. 'Going to pay off my corn-pickers first of all,' he said, 'then I'll get my wife and we'll start buying. There's a suit coming to this boy, the first he has ever had. And a dress and shoes for my little girl. Some winter clothes for my wife and older boy. Some new bedding. All of it will be gone by the middle of next week-- and not a cent wasted ...!'

"Mrs. Sophia Tipton, a widow, took her \$26.72 in cash and drove to a lumber yard for supplies to repair her house.

"Donn Dittman of Lincoln Township went to the court house with \$246.40 to pay overdue taxes. Then he was going to the real estate office to pay off interest on his mortgage. 'There won't be any left,' said Dittman, 'but I'll not be sold out, and my mind is at rest.....'



"These people are happy," said Editor Wunder of the local paper. "This money will be turned over again and again and will put the people of the county on easy street for the winter."

Before passing on to the final stage of my remarks, I want to say a word about the spirit with which the Nation as a whole has accepted our program. The surprising thing, to me, is not that we have encountered opposition; but that we have encountered so little.

The country was ready to see this thing done. Most criticisms levelled against us have not been against our plans, but against our pace. The complaint was not against what we were doing, but that we weren't doing it fast enough. We at Washington have been just as much aware of this apparent slowness as you have. We accept the responsibility. Our only answer is that we have been working just as hard and as fast as we could in the circumstances.

There has also been a limited amount of opposition on the part of city people who fear that adjustment payments are a subsidy of one class as against another. They have somewhat the same fears as to the NRA. I think that is a short-sighted view to take. The short excerpts from reports that I have read you prove, I think, that more money for farmers to spend means more money circulating quickly in town. It is just as true that great industrial activity and larger city payrolls mean more money for farmers. It is just as disastrous to break the circuit of spending in cities as it is to break it off at the edge of cities and try to keep the farm families on another and inferior income and standard of living.

Here in the Middle West, which is my home, the need of a continued movement of trade between farm and town should be, by this time, especially apparent. Chicago is the great commissary of the naturally richest expanse of farming country on earth. The whole history of Chicago's growth is the history of the



growth of the Mississippi Valley. When anything stifles that growth, trade in Chicago stagnates. When this great Valley blossoms forth in prosperity again, then and only then, will Chicago be back in stride.

Now for the final part of my talk: about the profit system, and its detractors. All through this land there is constant discussion of the so-called new functions of Government, of Government plans for this or that, of what the Government is going to do next. What is Government?

This is what has been going through my mind. Our Government is not some mysterious device handed down from above or dug up from below. It is of our own making. In setting up our original Government our forefathers followed the English guild system of local self-sufficiency. As local governments expanded and interests crossed, overhead governments were set up, resulting in county and State governments.

The Federal Government was supposed to intervene only in such matters as could not be settled by the States themselves. The foundation of the whole structure from the first has been a respect for private property rights, and the sacredness of contracts.

There is great apprehension in the minds of many business men today about the relations of government to business. There is grave concern over the expressions of a few ultra-liberalists about the Government taking over private business. If you want my opinion--personally, not officially, mind you--I would say that this apprehension is unwarranted. Unless it hustles, the Government has more hay down now than it will get up before it rains.

Legitimate profits have always been regarded in this country as a proper reward for individual initiative, industry, and thrift. I know of no substitute for such traits. I am in favor of the profit system; but I am in favor of starting with the farmer.



There is abroad in the land a propaganda of more or less importance for doing away with the profit system. This means no more and no less than doing away with the institutions under which we have all grown up and prospered more or less. I am against the racketeers of high finance as much as I am against the racketeers in the underworld. But the remedy lies not in destroying our institutions. It lies in reaching these racketeers in high places under the laws of our land. If these laws are inadequate, they should be revised and extended so that no guilty man shall escape. I am dead against the malpractices of the so-called monopolies; I say "so-called" to differentiate between "malefactors of great wealth" and the millions of heads of business, large and small, performing a useful service.

Government owes no man a living. But it is the duty of government to intervene on behalf of any man who is prevented from following his ordinary lawful pursuits in an effort to support himself and his family. That is why I have said for a dozen years that it is the duty of the National Government to intervene on behalf of the American farmer, for against the farmer barriers have been set up, and these barriers have resulted in millions of our worthiest people losing their homes and their lands through no fault of their own.

I do not criticize the farmers for protesting at delays in relief from such conditions. I have protested, myself, as long as any man within the reach of my voice. I do not protest against the hot impatience of some farm leaders. I do protest against their methods, because I think they are futile. And I protest against a strike aimed at the President of the United States and his Administration-- an Administration which honestly is endeavoring to do all that agriculture has asked of previous Administrations: that is to say, restore equality to agriculture.

The farmer is naturally capitalistic. But he can be driven so far that in desperation he will turn to radicalism, and fight with any weapons he can lay hands



on to save his home! Farmers have been close to that point, not the hotheads only, but the great conservative, thoughtful mass of them, these past few years. So close to it that now things have eased a little, and look better, it would be stupid indeed to overlook the lesson that is to be learned from it all.

It is this: You can't build a profit system and leave the foundation out. We tried it and it just about wrecked us all. The masses of the people must be benefited. They must not be made servile to a few overlords. I certainly don't want to be an alarmist; but I do want, with all possible emphasis, in concluding, to say this:

The only possibility of security for the property owners of this country is to have a large majority of our people as property owners, large or small, and to see that they are secure in the ownership of their property. They should not be permitted to lose it through no fault of their own. Upon this promise rests the only security for the Nation. When this condition prevails and not until then will farmers realize in full their part in the New Deal.

I am not committed to any one method of farm adjustment. I have not yet seen the perfect system either for the farmer, for the laborer, or for industry. I feel that fundamental plans should be discussed and understood before adoption; that new methods of social control should be clearly outlined, and that the people as a whole should have the right and duty to make the ultimate decision. For (to quote Mr. Justice Holmes) -

"When men have realized that time has upset many fighting faiths, they may come to believe\*\*\*that the ultimate good desired is better reached by free trade in ideas-- that the best test of truth is the power of the thought to get itself accepted in the competition of the market, and that truth is the only ground upon which their wishes safely can be carried out. That, at any rate, is the theory of our Constitution."

